

## **EXHIBIT C**



## FRANCHISE OFFERING CIRCULAR

The Princeton Review, Inc.  
A Delaware Corporation  
2315 Broadway  
New York, New York 10024  
212-874-8282  
[www.princetonreview.com](http://www.princetonreview.com)

THE PRINCETON REVIEW franchises offer live, in-person, classroom-based courses and one-on-one tutoring to prepare students to take standardized admissions tests for U.S. colleges and graduate schools. This offering circular is primarily for existing THE PRINCETON REVIEW franchisees who are renewing their franchise rights; we are not offering new franchises in the U.S.A, except possibly in U.S. possessions and territories outside of the 50 states. For renewing franchises, you will pay a renewal fee if required by the terms of your expiring agreement. If you are a new franchisee, the initial franchise fee is \$50,000. The estimated initial investment ranges from \$55,000 to \$416,500. See Items 5, 6, and 7 for more information.

### Risk Factors:

1. IF YOU ARE AN EXISTING FRANCHISEE SEEKING TO RENEW YOUR FRANCHISE RIGHTS, YOU MUST COMPLY WITH ALL CONDITIONS IN YOUR CURRENT FRANCHISE AGREEMENT TO BE ELIGIBLE FOR RENEWAL. IF YOU DO NOT SATISFY THESE CONDITIONS, WE ARE NOT REQUIRED TO ENTER INTO A NEW FRANCHISE AGREEMENT OR TO CONTINUE OUR RELATIONSHIP WITH YOU.
2. THE FRANCHISE AGREEMENT REQUIRES YOU TO LITIGATE WITH US ONLY IN NEW YORK. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT ALSO MAY COST MORE TO LITIGATE WITH US IN NEW YORK THAN IN YOUR HOME STATE. CERTAIN STATES HAVE LAWS WHICH MAY SUPERSEDE THESE PROVISIONS OF THE FRANCHISE AGREEMENT.
3. THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT. NEW YORK LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed in Exhibit D or your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and the applicable State agency listed in Exhibit D.

Certain states require franchisors to make additional disclosures related to the information contained in this offering circular. These disclosures are contained in Exhibit F to this offering circular.

We issued this offering circular on April 25, 2005. Our effective dates of registration or exemption in states with franchise registration laws are:

California:	April 20, 2005	North Dakota:	Not filed
Hawaii:	Not filed	Rhode Island	
Illinois:	Not filed	South Dakota:	Not filed
Indiana:	Not filed	Virginia:	Not filed
Maryland:	Not filed	Washington:	Not filed
Michigan	March 30, 2005	Wisconsin:	Not filed
Minnesota:	Not filed		
New York:	Exempt		

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**THE PRINCETON REVIEW, INC.**

A Delaware Corporation

2315 Broadway

New York, New York 10024

212-874-8282

**[www.princetonreview.com](http://www.princetonreview.com)**

**Information for Prospective Franchisees  
Required by the Federal Trade Commission**

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To protect you, we've required your franchisor to give you this information. **We haven't checked it, and don't know if it's correct.** It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

There may also be laws on franchising in your state. Ask your state agencies about them.

FEDERAL TRADE COMMISSION  
Washington, D.C.

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**EXHIBITS**

- Exhibit A      Franchise Agreement and State-Required Addenda
- Exhibit B      Financial Statements
- Exhibit C      List of U.S. Franchisees
- Exhibit D      State Franchise Administrators
- Exhibit E      Agents for Service of Process
- Exhibit F      Additional State-Required Disclosures

**RECEIPT (2 copies)**

**ITEM 1****THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES**

This offering circular describes THE PRINCETON REVIEW franchises. The franchisor is The Princeton Review, Inc., a Delaware corporation with its principal business address at 2315 Broadway, New York, New York 10024. In this offering circular, "we," "us" or "TPR" means The Princeton Review, Inc., and "you" means the individual, partnership, corporation, or limited liability company that signs the franchise agreement.

**Our Business Form, Predecessors, and Affiliates**

TPR operates business units that: (i) prepare individuals to take standardized tests (the "Test Preparation Business"); (ii) provide higher education institutions and high school guidance counselors with systems for managing the admissions process, admissions counseling, and career planning (the "Admissions Services Business"); and (iii) provide educators and schools with customized materials, online services, professional development, and live instruction to assist in assessing student performance and achieving state standards (the "K-12 Services Business"). TPR and its affiliates may enter into other businesses in the future. For more information about our right to enter into other businesses, see Item 12.

As part of the Test Preparation Business, TPR has granted franchises to operate "Live Test Prep" sites. "Live Test Prep" means one-on-one tutoring and live, in-person, classroom-based courses to prepare students to take standardized admissions tests for U.S. colleges and graduate schools. TPR does not offer franchises for the Admissions Services Business, the K-12 Services Business, or for any aspect of the Test Preparation Business other than Live Test Prep.

TPR and its predecessors and affiliates have operated Live Test Prep businesses since 1981 and have had Live Test Prep franchises since 1985. TPR runs Live Test Prep sites in the United States similar to the franchises described in this offering circular. In 2004, we and our franchisees provided Live Test Prep to more than 117,000 students at over 1,000 course locations in the United States and other countries.

TPR incorporated in Delaware on March 31, 2000 and completed an initial public offering on June 22, 2001. TPR's stock trades on the NASDAQ stock exchange under the symbol REVU. Our predecessor as franchisor of the Live Test Prep business was our subsidiary, Princeton Review Management, L.L.C., a Delaware limited liability company. On December 31, 2004, we completed a corporate reorganization in which Princeton Review Management, L.L.C. and certain other limited liability company subsidiaries merged into The Princeton Review, Inc. and no longer have separate existence. We succeeded to all of the rights and obligations of Princeton Review Management, L.L.C. as franchisor of the Live Test Prep business. To the extent that TPR has appointed agents for service of process in other states, they are listed in Exhibit E.

This offering circular is intended primarily for existing THE PRINCETON REVIEW franchisees who wish to exercise an option to renew their franchise rights. We are not offering new franchises in the U.S.A., except possibly in U.S. possessions and territories outside of the 50 states. In the last few years, we have acquired the operations of several of our U.S. franchisees. We plan to purchase the businesses of our remaining domestic franchisees over the next several years, if we are able to negotiate favorable terms. Outside of the U.S.A., however, we are actively seeking franchisees in territories where we do not already have Live Test Prep sites. See Exhibit C to this offering circular for a list of our Live Test Prep franchises in the U.S.A.

### **Description of the Business**

As our franchisee, you would conduct live, in-person classroom sessions for THE PRINCETON REVIEW test preparation courses. You would recruit and train teachers to lead your courses. Most of our franchisees also offer individual tutoring.

Our company-owned and franchised Live Test Prep businesses operate under the "TPR Method," which refers to the comprehensive body of know-how, trade secrets, and business methods that we have developed for Live Test Prep. The TPR Method encompasses our proprietary educational materials, teaching aids, techniques, systems, and formats, as well as our mandatory and recommended operating procedures and specifications for equipment and facilities. To promote consistency of quality and service, we have collected our mandatory and recommended operating procedures and specifications for Live Test Prep in our confidential Book of Standards. We have the right to modify the TPR Method and/or the Book of Standards at any time.

Our franchises and company-owned sites operate under the name and mark THE PRINCETON REVIEW. We may designate other trade names, service marks, trademarks and commercial symbols ("Proprietary Marks") for use in connection with the Live Test Prep business. See Item 13 for further information.

We have developed online course tools for students enrolled in Live Test Prep courses (the "Online Tools"). You must provide your enrolled students with access to the Online Tools. We have the right to prescribe terms and conditions for access to the Online Tools, including payment of an Online Tools fee (see Item 6). We may require you to contract with an affiliate, franchisee, or independent third party of TPR's choosing for Web hosting services through which the Online Tools will be delivered. You may permit access to Online Tools only by individuals who are enrolled in one or more of the courses that your Franchise Agreement authorizes you to run (the "Authorized Courses"). We have no obligation to permit access to Online Tools by any of your students for whom you are delinquent in payment of any royalty-service fees, transfer fees, or any other applicable fees.

Our current form of Franchise Agreement is in Exhibit A to this offering circular. If the franchisee is a company or other legal entity, each owner must sign the Personal Guaranty attached to the Franchise Agreement.

### **Market and Competition**

The market for Live Test Prep courses is well-established and very competitive in the U.S.A. You will compete with other regional and national companies, as well as with independent local businesses that provide Live Test Prep courses. You may also compete to some extent with other aspects of our Test Preparation business, including "distance learning" courses that we make available to students via the Internet under the name "Princeton Review Online," as well as software and printed materials that we sell through retail channels to students for "do-it-yourself" test preparation. We believe that the markets for Live Test Prep, distance learning, and "do-it-yourself" students are distinct; for one thing, the price points are significantly different. However, some students and parents may view distance learning and/or do-it-yourself materials as alternatives to Live Test Prep courses, and to that extent you may compete with companies (including us) that market online courses, software, and printed materials.

If we so request, you must conduct live review sessions in your territory for students we enroll in Princeton Review Online courses. We will pay you a reasonable fee per location, per session for each review session, and we will provide all student and teacher materials necessary to deliver the review session.

Our franchisees generally price their Live Test Prep courses according to local competition and market conditions. Some students make a deposit at the time they register for a course, with the balance of the course fee due when the course begins. The course fee covers the set of proprietary course materials that you provide to the student (which we call the "Basket of Goods"). You must purchase most of your Basket of Goods items from us, as described in Item 8 of this offering circular.

### **Industry-Specific Regulations**

We do not know of any laws that are particular to the Live Test Prep business that would not be applicable to businesses generally. You are solely responsible for compliance with all local, state, and federal laws that apply to your operations. You must also obtain any necessary operational licenses. Compliance with these laws will be solely your responsibility, despite any information or advice we may offer about these laws. You should consult with your attorney concerning laws and ordinances that may affect your operation.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

The following is a list of our executive officers who have management responsibility for our franchise program and the members of our board of directors.

**Chairman and Chief Executive Officer - John S. Katzman.** Mr. Katzman is the founder of THE PRINCETON REVIEW test preparation business and has been Chairman and Chief Executive Officer of TPR and its predecessors since 1981. From 1981 to August 2000, Mr. Katzman also served as our President.

**President, Chief Operating Officer and Secretary - Mark Chernis.** Mr. Chernis has been our Chief Operating Officer since 1995 and our President since August 2000. Mr. Chernis was Chief Operating Officer of our predecessor during its entire existence. Mr. Chernis joined TPR in 1984.

**Executive Vice President, Test Preparation Services Division - Stephen Quattrociocchi.** Mr. Quattrociocchi has been Executive Vice President of our Test Preparation Services Division since 1997. Mr. Quattrociocchi joined TPR in 1988.

**Executive Vice President, Communications - Linda Nessim-Rubin.** Ms. Nessim has been our Executive Vice President, Communications since 1998. She manages the THE PRINCETON REVIEW brand and oversees communications and marketing, as well as human resources. Ms. Nessim joined the company in 1990.

**Executive Vice President & General Counsel - Margot Lebenberg.** Ms. Lebenberg has been our Executive Vice President and General Counsel since June 2004. From February 2003 to March 2004, she was Executive Vice President and General Counsel for The Charles Schwab Corporation/Schwab SoundView Capital Markets and Executive Vice President, General Counsel, Secretary, and Managing Director for its predecessor, SoundView Technology Group, Inc., in Old Greenwich, Connecticut. From December 2001 to January 2003, she was Vice President, Assistant General Counsel, and Assistant Secretary for Cantor Fitzgerald and eSpeed, Inc. in New York City. She also has served since 1998 as President of Living Mountain Capital L.L.C., a business advisory consulting firm in Dallas and New York City. From 1996 to July 2000, she was Senior Vice President, General Counsel, and Secretary of SOURCECORP f/k/a F.Y.I. Incorporated in Dallas, Texas.

**Chief Financial Officer and Treasurer - Stephen Melvin.** Mr. Melvin has been our CFO since joining the company in 1998.

**Director – Dr. Frederick S. Humphries.** Dr. Humphries has served on our board of directors since April 2002. Dr. Humphries is the President and Chief Executive Officer of NAFEO, the National Association for Equal Opportunity in Higher Education, the public policy advocacy organization for the nation's 118 historically and predominantly Black colleges. He served for 27 years as President of Florida A&M and Tennessee State Universities. He has been a member of the Board of Directors of Wal-Mart Stores, Inc. and Brinker International (the parent company of Chili's Grill & Bar, among others.)

**Director – Richard Katzman.** Richard Katzman has served on TPR's board of directors since 1985. Since 1997, Mr. Katzman has served as Chairman of the Board and Chief Executive Officer of Kaz, Inc., a manufacturer of humidifiers, vaporizers, and other consumer appliances. Mr. Katzman is also on the Board of Trustees of Columbia Memorial Hospital in Hudson, NY and Friends of Clermont in Livingston, NY. He is the brother of John S. Katzman, the Chairman and Chief Executive Officer of our company.

**Director – John C. Reid.** Mr. Reid has served as on TPR's board of directors since March 2000. Since 2001, Mr. Reid has been executive-in-residence at the Cedar Street Group, a venture capital group, and currently also serves as Chief Executive Officer of Curtis Reid Enterprises, LLC, an educational consulting firm. From 1999-2001, he was the Chief Executive Officer of LearnNow, an education company, and Comet Systems, a software engineering company. From 1996 to 1998, he served as Chief Operating Officer of Edison Schools, Inc. From 1974 to 1996, Mr. Reid served in the executive management of The Coca-Cola Company, as Senior Vice President, and chief environmental officer. Mr. Reid served the City of Atlanta as Executive Officer from 1989-1990. Mr. Reid is also a member of the board of directors of Tutor.com and Eduneering. He also serves as Chairman of the Board of Cross Cultural Solutions, which organizes international volunteerism in eleven countries.

**Director – Richard Sarnoff.** Mr. Sarnoff has been a director of TPR since 1998. In 2002, Mr. Sarnoff became a member of the Supervisory Board of Bertelsmann AG, the parent company of Random House, Inc. Mr. Sarnoff has served as President, Random House Corporate Development Group, since 2000. From 1998 to 2000, Mr. Sarnoff served as Executive Vice President and Chief Financial Officer of Random House, after having served in the same capacity at Bantam Doubleday Dell, Inc. from 1996 to 1998. Mr. Sarnoff currently also serves on the Board of Directors of Audible, Inc., Ebrary, Inc., Xlibris, Inc., and Classic Media, Inc.

**Director – Sheree T. Speakman.** Ms. Speakman has served as a director since March 2000. Since 2001, Ms. Speakman has been Vice President of Services and Support at EDmin.com, Inc., an enterprise solutions company focusing on K-12 education. Since December 2002, Ms. Speakman has been responsible for consulting and professional development for EDmin.com. From 1998 to 2001, Ms. Speakman was President and Chief Executive Officer of Fox River Learning, Inc., an education consulting firm acquired by EDmin.com in 2001. From 1983 to 1998, Ms. Speakman was a principal at Coopers & Lybrand LLP, where she led their national efforts in K-12 financial analysis and consulting. She is also a director of StandardsWork, Inc., an education consulting company that specializes in standards-driven learning.

**Director – Howard A. Tullman.** Mr. Tullman has been a board member of TPR since March 2000. Mr. Tullman is President of Kendall College, Evanston, Ill. and Chairman of the Board of The Cobalt Group, a Seattle-based provider of Internet services and B2B marketplaces for the automotive industry. He is also the General Managing Partner for the Chicago High Tech Investors, LLC and serves as a director for the Pups for Peace Foundation. He also lectures on entrepreneurship for the Kellogg Graduate School of Management at Northwestern University.

**ITEM 3****LITIGATION**

No litigation is required to be disclosed in this offering circular.

**ITEM 4****BANKRUPTCY**

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code that must be disclosed in this Item.

**ITEM 5****INITIAL FEES**

If you are an existing franchisee of TPR, you do not have to pay an initial franchise fee in order to renew your franchise rights. However, you must pay us an administrative-renewal fee if required by your expiring agreement. If you are a new franchisee, you must pay us an initial franchise fee of \$50,000. The initial fee or renewal fee is due when you sign the new Franchise Agreement and is non-refundable.

**ITEM 6****OTHER FEES**

The chart below summarizes other fees and charges that you will or may have to pay to us or our affiliates under the Franchise Agreement. None of the fees or payments is refundable. You must make all payments to us and our affiliates by electronic debit, wire transfer, or other method we designate.

NAME OF FEE	AMOUNT	DATE DUE	REMARKS
Royalty-Service Fee	8% of your Gross Receipts (see note 1 for definition of Gross Receipts).	If the Reserve requirement is in effect, we deduct the amount due from the Reserve (see note 2). Otherwise, 10 <sup>th</sup> day of each calendar month.	The Reserve requirement starts with the first full calendar year after your Opening Date. After you have complied with the Reserve requirement for 12 consecutive calendar quarters, you may request that we relieve you of the Reserve requirement, if you meet certain conditions (see note 3).

NAME OF FEE	AMOUNT	DATE DUE	REMARKS
<b>Minimum Royalty</b>	Amount necessary to bring aggregate royalty-service fees for the calendar year up to the greater of: (i) 110% of the aggregate royalty-service fees for the prior calendar year; or (ii) one-half of the franchise fee that you originally paid to TPR.	Within 30 days after receipt of statement from TPR.	
<b>Basket of Goods Purchases</b>	Our then-current prices.	At time of order, if you are in arrears on any amount owed to TPR; otherwise, within 30 days after receipt of our invoice.	The contents of the Basket of Goods differ for each Authorized Course.
<b>Advertising-Promotion Fee</b>	2% of your Gross Receipts	10 <sup>th</sup> day of each calendar month	See Item 11.
<b>Online Tools Fee</b>	Varies by type of tool	Within 30 days after receipt of statement from TPR. Billed based on the number of students you enrolled in each Authorized Course at any time during the period covered by the invoice.	We have the right to change the terms and conditions for student access to Online Tools from time to time. We also may change the applicable fee, provided that we give you reasonable notice, the increase uniformly applies to similarly-situated franchises, and the fee is increased no more than once per calendar year.
<b>Transfer Fee – Sale of Entire Business</b>	\$25,000 plus attorneys' fees and other expenses we incur in connection with the transfer.	\$25,000 with submission of request for our consent to the transaction; attorneys' fees and expenses within 30 days after receipt of statement from TPR.	Applies to sale of the assets of your franchise, sale of the stock or other ownership interests in the franchisee, or any other transaction that would result in control of the franchise changing to a new owner.

NAME OF FEE	AMOUNT	DATE DUE	REMARKS
<b>Transfer Fee – Other Transfers</b>	Any attorneys' fees and other expenses we incur in connection with the transfer – not to exceed \$25,000.	Within 30 days after receipt of statement from TPR.	Applies to any proposed change in ownership of the franchise, short of a total sale or change of control (e.g., admittance of a new investor or a corporate reorganization).
<b>Additional Training</b>	Determined at the time we announce the training program.	Before training begins.	We will not charge a fee for mandatory training programs. However, we may charge a fee for training that you request or that we offer as an option. You are responsible for all expenses of your trainees incurred in connection with the training, including lodging, meals and transportation.
<b>Registration Fees for Meetings</b>	No fee for first registrant. Fee for additional registrants determined when we announce the meeting.	With registration for meeting	You are required to attend any meetings that we designate as mandatory. You are responsible for all travel and living expenses of your meeting attendees, including lodging, meals and transportation.
<b>New Course Fee</b>	Determined by TPR based on our reasonable costs of providing training for the new program, developing and producing course materials and marketing materials, developing technology, and developing and testing equipment specifications.	Before you begin training for new course program or service.	If we develop a new course program or service, we may designate it as either mandatory or optional. The new course fee applies only to optional programs; no fee for mandatory courses.

NAME OF FEE	AMOUNT	DATE DUE	REMARKS
Administration Fee	10% of the overdue amount	With payment of overdue amount or submission of late report (see note 4).	We have the right to charge you a fee if any payment or required report to us is overdue. The fee is for our administrative costs associated with late payments and reports.
Interest	Annual rate of 18%, compounded annually.	With payment of overdue amount or submission of late report (see note 4).	The interest compensates us for the loss of use of the funds that should have been paid to us. We calculate interest daily from the due date until the amount owed is paid in full. We also have the right to charge interest when reports are late.
Renewal Fee	20% of the original franchise fee, plus any attorneys' fees and other expenses we incur in connection with the renewal.	The base fee is payable upon TPR's approval of renewal (but no later than 30 days before expiration of your initial term); reimbursement is due within 30 days after receipt of our statement for expenses.	You have the option to renew your franchise rights under certain conditions. See Item 17.c.
Insurance Procurement	Cost of insurance premiums and any related expenses that we incur.	Upon demand.	Payable only if you fail to obtain the required insurance coverage and we elect to obtain it for you.
Examination/Audit Fee	Actual cost of examination or audit by an accounting firm, including travel expenses for the examiner or auditors. If TPR's personnel perform the audit, our fee will be based on the hourly rates for mid-level professionals of independent accounting firms.	Within 30 days after receipt of our invoice.	Payable if we arrange an examination or audit because you fail to report Gross Receipts or to maintain books and records as required under your Franchise Agreement, or if the cumulative Gross Receipts you reported for any consecutive 6-month period are more than 5% below your actual Gross Receipts for the period as determined by examination or audit.

NAME OF FEE	AMOUNT	DATE DUE	REMARKS
Management Fee	Commercially reasonable amount	Within 30 days after receipt of our invoice.	TPR may charge a reasonable management fee if we exercise our right to manage your business following the death or disability of the principal owner or operator.
Indemnification	Will vary under circumstances.	Upon demand.	You must reimburse us and our affiliates for any loss or expense we suffer as a result of any claim arising out of or relating to the operation of your franchise.

**NOTES TO TABLE**

- (1) "Gross Receipts" means all amounts you receive from the sale of all services and products, including the fair market value of any classroom space, materials, and other goods or services that you receive in barter arrangements. Gross Receipts does not include any taxes that are added to the sales price and that you collect from the customer, or any bona fide refunds that you make to customers.
- (2) You must prepay royalty-service fees to TPR quarterly. We refer to the prepaid fees as the "Reserve." Each quarterly prepayment of the Reserve is 25% of the minimum royalty amount for the corresponding calendar year. The minimum royalty is calculated as the greater of: (i) 110% of aggregate royalty-service fees payable for the preceding calendar year; or (ii) one-half of the franchise fee that you originally paid for the right to operate the Franchised Business. The quarterly payments are due by January 15th for the first quarter of the calendar year, by April 15th for the second quarter, by July 15th for the third quarter, and by October 15th for the fourth quarter. If for any reason we are unable to obtain payment from the Reserve, you must make payment by the 10<sup>th</sup> day of each calendar month, based on Gross Receipts for the preceding calendar month.
- (3) You can request to be relieved of the Reserve requirement if you meet all of the following conditions: (i) you have complied with the Reserve requirement for at least 12 consecutive calendar quarters; (ii) you are not in material default of the Franchise Agreement; and (iii) for purposes of calculating your minimum royalty, the "greater of" amount for both the current and previous calendar years was 110% of the aggregate royalty-service fees payable for the previous calendar year.
- (4) If we require that a certain type of report or information accompany a specified payment or type of payment, and the required report or information does not, in fact, accompany your payment, we treat the payment as overdue until such time as we receive the required report or information. We have the right to charge the normal late-payment administrative fee and interest in this situation.

**ITEM 7****INITIAL INVESTMENT**

As noted in Item 1, this offering circular is intended primarily for existing franchisees of TPR who are considering whether to exercise an option to renew their franchise rights. If you already have a Live Test Prep business in operation, you may not need any initial investment in connection with the renewal (other than an administrative-renewal fee, if applicable; see Item 5). However, it is possible that you will need to upgrade your computer systems, office space, and/or classrooms in order to meet our current standards. In the unlikely event that you need to replace your entire computer system with new network equipment and PCs, we estimate that the cost could range up to \$50,000. If you need to remodel your office space and classrooms, we estimate that the cost could range up to \$50,000. Accordingly, we estimate that the initial investment required of renewing franchises (not including the administrative-renewal fee, if applicable) will range from \$0 to \$100,000.

The Table below presents estimated initial investment information for a new Live Test Prep business. This Table is relevant to you only if you are considering a franchise for a new Live Test Prep business in a U.S. territory or possession outside of the 50 states. If you are already operating an educational services business and will add the Live Test Prep franchise to that business, you may already have facilities, equipment, and other items listed in the Table, and you therefore might not need additional investment for those items.

The amounts in the Table are only estimates of your initial costs based on our experience with company-owned offices within the 50 states. The actual amounts you incur will likely differ based on the particular circumstances and the location of your business. You should review these figures carefully with a business advisor before making a decision to invest in a franchise. Unless otherwise noted, all payments to us are non-refundable. The refundability of payments made to others will depend on your arrangements with them.

Item	Estimated Cost	Method of Payment	When Due	To Whom Payment is to Be Made
<b>Initial Franchise Fee (note 1)</b>	\$50,000	Lump sum	On signing Franchise Agreement	Us
<b>Office Space (note 2)</b>	\$0 to \$10,000	Monthly	As Arranged	Landlord
<b>Classroom Space (note 3)</b>	\$0 to \$150 per classroom use	As Arranged	As Arranged	Landlord
<b>Leasehold Improvements and Fixtures (note 4)</b>	\$0 to \$50,000	As Arranged	As Incurred	Contractors
<b>Equipment (note 5)</b>	\$0 to \$50,000	As Arranged	As Incurred	Suppliers
<b>Training Expenses (note 6)</b>	\$5,000 per trainee	As Needed	As Incurred	Trainers, trainees, travel providers, etc.
<b>Insurance (note 7)</b>	Varies with coverage and location.	As Arranged	Before business opens	Third-party insurance providers

Item	Estimated Cost	Method of Payment	When Due	To Whom Payment is to Be Made
Professional Fees (note 8)	\$0 to \$50,000	As Arranged	Before business opens	Attorneys, accountants, and other business advisors
Business Licenses (note 9)	\$0 to \$1,500	Lump Sum	Before business opens	Government Authorities
Additional Funds for first 12 months of operation (note 10)	\$0 to \$200,000	As incurred	As incurred	
<b>TOTAL</b>	<b>\$55,000 to \$416,500</b>			

#### NOTES

Except as otherwise described below, all payments are nonrefundable.

- (1) See Item 5 regarding the initial franchise fee. We do not provide financing for the franchise fee or any other portion of your initial investment.
- (2) The cost of leasing space for your office and classrooms will vary depending primarily upon the location and the number of students. For the office, you will need up to approximately 2,000 square feet of space for reception, storage, and offices.
- (3) You will need approximately 300 to 500 square feet of space per classroom. The number of classrooms you need will depend on your number of students. You can rent classrooms adjoining your office space or at another location. If you rent permanent space for one or more classrooms, we expect that the rental rate will be approximately the same as for office space, which depends on the local real estate market and your priorities. The Table assumes that you will rent classrooms on a per-use basis from local schools, churches, or community organizations. Per-use rent typically runs between \$50 and \$150 per classroom use.
- (4) You may need to install furniture and fixtures in your office, some of which may have to comply with our specifications. The cost will vary depending on the location.
- (5) You may have to purchase or lease certain equipment for your Live Test Prep business, including computer equipment. Appendix C to the Franchise Agreement (in Exhibit A to this offering circular) contains our current specifications for network and system configuration. We update our specifications once or twice a year. The range in the chart assumes that you will purchase the equipment; your cost to lease some or all of the equipment may be different.

- (6) You will incur expenses associated with our initial training program. The Table assumes that you will send one person to New York City for management training. For management training, we will provide instructors and training materials for up to four trainees at no cost to you. If you send more than four people for management training, we may charge \$2,000 for each additional trainee. You will be responsible for all other expenses incurred in connection with this training, including the cost of transportation, lodging, meals, wages, and other personal expenses of your trainees. In addition, you will incur expenses hiring TPR-certified teacher trainers to train each of your teachers. See Item 11 for details.
- (7) You must obtain certain types of insurance, with minimum policy limits, as described in Item 8. For offices located outside of the 50 states, we are unable to reliably estimate the cost of insurance premiums. You should consult with your own insurance broker or carrier. The actual cost of coverage will depend on your territory, your loss history, your carrier's loss experience, general economic conditions, and other factors.
- (8) These figures represent the estimated cost of engaging an attorney or other business professionals to assist you in reviewing this offering circular and the accompanying agreements, organizing a business entity, negotiating your lease, and obtaining required licenses and permits.
- (9) You are responsible for obtaining and maintaining all required licenses and permits necessary to operate your Live Test Prep business. You should check with local authorities, an attorney, or a business consultant to determine what licenses and permits are necessary at your location.
- (10) You may need additional funds during the initial period of operation (which we define as the first year) to support ongoing expenses of your Live Test Prep business that are not covered by revenues from your Live Test Prep business. The table gives an estimate of additional funds that you may need to pay employee salaries and wages, rent, utilities, debt service, legal and accounting fees, and other expenses during the initial phase of your franchise operation. The estimate is based on our experience operating company-owned units. This is only an estimate, however, and we cannot assure you that you will not need additional funds during or after this initial phase. Factors which may affect the amount of additional funds required include the number of students you enroll, the size of your staff, your needs for supplies and equipment, and your advertising and marketing efforts. The estimate does not include any compensation that you may choose to pay yourself or any royalty-service fees, advertising-promotion fees, or other obligations you have under the Franchise Agreement.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Course Materials.** You must purchase most of your Basket of Goods requirements from us. You will have electronic access to our current price list for the course materials. The list may also include some marketing materials that are available for purchase. Some courses require materials that we do not sell; you must obtain these materials directly from sources that we approve (which may include the various testing agencies).

To order materials from TPR, you will complete an electronic order form and submit it to us in a manner we designate. We will ship the materials via a shipper (i.e., UPS or DHL) in New York that you select. Shipping will be charged to your account established with that carrier. We try to fill orders and to contact the shipper for pick-up within 48 business hours after receipt of the order. If your order includes materials that are on back order, we will notify you by email when the back-ordered materials are back in stock. We recommend that you plan carefully so you will have adequate supplies on hand.

We do not provide material benefits to you (for example, additional renewal rights or additional franchises) because of your use of designated or approved sources.

We do not have any arrangements with any suppliers under which we will receive any rebates, commissions, or other payments based on your purchases from them. We currently have no purchasing or distribution cooperatives in our system.

## ITEM 9

### FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Obligation	Section in Franchise Agreement	Items in Offering Circular
a. Site selection and acquisition/lease	Section 3.1	Item 12
b. Pre-opening purchases/leases	Section 5.4 and 6.1	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Section 3.1	Items 8 and 11
d. Initial and ongoing training	Section 4	Item 11
e. Opening	Section 3.2	Item 11
f. Fees	Sections 7.2 and 8	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 5.3	Items 11 and 14
h. Trademarks and proprietary information	Section 10	Items 13 and 14
i. Restrictions on products/services offered	Sections 5.2 and 6.1	Item 16
j. Warranty and customer service requirements	N/A	Item 16
k. Territorial development and sales quotas	N/A	Item 12
l. Ongoing product/service purchases	Section 6.1	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Section 3.1	Item 8
n. Insurance	Section 19.1	Items 7 and 8
o. Advertising	Section 8	Items 6 and 11
p. Indemnification	Section 19.2	Item 6
q. Owner's participation/management/staffing	Sections 5.5	Item 15

Obligation	Section in Franchise Agreement	Items in Offering Circular
r. Records/reports	Sections 9.1-9.4 and 9.7-9.8	Item 6
s. Inspections/audits	Sections 9.5 and 9.6	Item 11
t. Transfer	Sections 14 and 15	Item 17
u. Renewal	Section 16	Item 17
v. Post-termination obligations	Section 13.2 and 18	Item 17
w. Non-competition covenants	Section 13	Item 17
x. Dispute resolution	Section 21.11	Item 17

**ITEM 10****FINANCING**

We do not offer direct or indirect financing to franchisees. We do not guarantee any promissory note, lease, or other obligation you may make to others.

**ITEM 11****FRANCHISOR'S OBLIGATIONS**

Listed below are our contractual obligations to provide assistance in setting up and operating your Live Test Prep business. Except as specified below, we need not provide any assistance to you.

**Our Obligations Before You Open**

As noted previously, this offering circular is intended primarily for existing franchisees of TPR who are considering whether to exercise an option to renew their franchise rights. Because the existing franchisees already have their Live Test Prep businesses in operation, we do not have pre-opening obligations for existing franchisees. The information below is relevant to you only if you are considering a franchise for a new Live Test Prep business in a U.S. territory or possession outside of the 50 states.

1. Conduct management training for you and any other of your personnel designated by us. See "Training" below for details. (§ 4.1 of Franchise Agreement)
2. Make available to you TPR-certified teacher trainers to train your teachers. See "Training" below for details. (§ 4.2 of Franchise Agreement)
3. Provide you with one copy of or electronic access to the Book of Standards. (§ 5.3 of Franchise Agreement)
4. Provide you with our requirements and recommendations for equipping the franchised business. (§ 5.4 of Franchise Agreement)

**Our Obligations After You Open**

We will:

1. Supply you with Basket of Goods items on our standard terms of purchase. (§ 6.1 of Franchise Agreement)